

FISCAL NOTE

Bill #: HB0229 **Title:** Provide funding for school flexibility account
Primary Sponsor: Hendrick, G **Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

<input type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, all school trust interest and income, as defined in MCA 20-9-341, is deposited in the guarantee account and used to fund K-12 BASE aid to schools. This bill would deposit interest and income in excess of \$45.292 million in the school flexibility account.
2. HJR2 estimates of school trust interest and income are \$59.307 million for FY 2006 and \$58.106 million for FY 2007. However, the revenue estimates include mineral royalties, which are not part of interest and income as defined in MCA 20-9-341. These mineral royalties are projected to be \$15.362 million in FY 2006 and \$14.287 million in FY 2007. Interest and income as defined in MCA 20-9-341 is projected to be \$43.945 in FY 2006 and \$43.819 million in FY 2007.
3. HB 229 provides for the allocation of any interest and income from the common school trust fund, in excess of \$45.292 million, to be deposited into the school flexibility fund. No revenue would flow to the flexibility fund in the 2007 biennium, because the amounts in assumption 2 are less than \$45.292 million.

LONG RANGE IMPACTS:

This bill would cap school trust interest and income funding of K-12 BASE aid at \$45.292 million in all future fiscal years and deposit any excess in the school flexibility account. In years when school trust interest and income is greater than \$45.292 million, this would increase funds to the school flexibility account and increase the general fund appropriations that must be made to fund K-12 BASE aid by the same amount.

Fiscal Note Request HB0229, As Introduced

(continued)

TECHNICAL NOTES:

Section 2 makes this bill apply to funds distributed after July 1, 2005. Each fiscal year the last distribution of school trust interest and income for the fiscal year is made in July of the following fiscal year as part of the fiscal year-end closeout. As written this bill would apply to the last interest and income payment for fiscal year 2005. Section 2 should be changed to read “applies to interest and income earned after June 30, 2005.”